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SUBJECT: MFA UPBEAT ON IRAQ NEIGHBORS MINISTERIAL, DEBT
RELIEF

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Classified By: AMBASSADOR WILLIAM J. BURNS FOR REASONS 1.4 (B,D)

¶1. (C) Summary: On November 15, MFA Deputy Director for Iraq Aleksandr Kinshak told us that Russia considered the Iraq Neighbors Expanded Ministerial in Istanbul "very successful," noting that the atmosphere was more positive in Istanbul than at the previous ministerial in Sharm el Sheikh. Kinshak, who accompanied DFM Saltanov to the ministerial, stressed that the participating countries arrived at the conference with similar approaches to the political and economic challenges facing the Iraqis. Kinshak argued that Russia and most Arab countries, including Iran and Syria, supported troop withdrawal on a "realistic" timetable, but Russia took issue with Iran's "confrontational tone." He reiterated Russia's position that the announcement of a "realistic" timetable for troop withdrawal would provide the necessary "stimulus" to the Iraqi government and would undermine the extremists. On bilateral relations, Kinshak was optimistic that a memorandum of understanding addressing debt relief and key Russian economic projects in Iraq would be signed by the end of the year, noting that Iraqi officials were in Moscow November 14-16 to work out the remaining issues. However, Kinshak claimed that Iraq's recent decision to uphold the cancellation of Lukoil's oil contract was a sticking point. End Summary.

Russia Very Upbeat on Iraq Neighbors Ministerial

¶2. (C) MFA Deputy Director for Iraq Aleksandr Kinshak, who accompanied Russian head of delegation Deputy Foreign Minister Saltanov to Istanbul, characterized the November 1-2 Iraq Neighbors Expanded Ministerial as "very successful" and noted that the atmosphere in Istanbul was more positive than at the previous ministerial in Sharm el Sheikh in May. He listed several reasons for Russia's optimistic assessment. First, Russia had always called for further "internationalization" of efforts to establish stability in Iraq, including the involvement of Iran and Syria. Kinshak said that the Russian delegation observed that the delegations generally expressed genuine interest in developing common approaches to key political and economic challenges in Iraq, and expressed hope that the follow-up mechanism would play an important role in facilitating the work of future Iraq neighbors working groups and ministerials.

¶3. (C) Second, the GOR welcomed the participating countries' unanimous call for national reconciliation, which was reflected in the joint communique. Kinshak pointed out that since 2004, Russia had been promoting the need for greater focus on national reconciliation.

¶4. (C) Third, the three working groups on energy, refugees, and security, which convened prior to the Istanbul

ministerial, proved very effective in preparing the framework for the discussions and the joint communique. Kinshak said Russia will play an even more active role in all three of the working groups that will convene before the next expanded ministerial in Kuwait, which he learned from Turkish officials would take place in March 2008.

Timed Withdrawal of Coalition Forces

15. (C) Kinshak said Saltanov stressed in his remarks the importance of the USG providing a timetable for troop withdrawal. Saltanov reiterated Russia's familiar position that an announced timetable would go a long way in promoting stability and national reconciliation. Kinshak explained that a withdrawal timetable would provide the necessary stimulus to the Iraqi government to tackle the "difficult issues" (e.g., reaching a compromise with Moqadr al-Sadr) and would eliminate the "reason for being" of the extremists in Iraq.

16. (C) When asked to elaborate on Russia's position on troop withdrawal in light of the current political and security situation in Iraq, Kinshak conceded that discussion of withdrawal at this time was still a "delicate matter." He added that the GOR fully agrees with the U.S. position that troop withdrawal must be in accordance with progress on the ground; "an artificial date cannot be picked from the air." However, Kinshak insisted that the U.S. would observe more and quicker progress in Iraq if it undertook a comprehensive assessment of the progress of the Iraqi security forces over the past several years and made a calculated projection when the security forces would be sufficiently prepared to handle security matters on their own. Kinshak continued that the

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completion of this calculated assessment would allow the U.S. to announce significant, but gradual, troop withdrawal, which would force the Iraqi government to speed up institution building and national reconciliation.

17. (C) Kinshak asserted that Iran and Syria, "in addition to most Arab governments and moderate Iraqis in Iraq," support troop withdrawal on a "realistic" timetable. However, Kinshak said Iran's problem, which was highlighted in Istanbul, was that the regime spends too much time blaming the U.S. for the problems in Iraq when it should be focusing on practical solutions. When asked, Kinshak described as "simply stupid" Iran's proposal to set up a regional security force, made up of Turkey, Syria, Saudi Arabia, and Iran, to fill in the security vacuum when Coalition forces depart Iraq.

Debt Relief on Schedule, Hopefully

18. (C) Kinshak said that Russia is still on track to forgive up to 90 percent of Iraq's \$13 billion debt, but Russia insists that debt relief is only one aspect of the multifaceted economic relationship between the two countries and Iraq must be willing to address Russia's core economic concerns, including pending oil contracts. He noted that the co-chairs of the Russia-Iraq intergovernmental commission on trade and economics -- Iraqi FM Zebari and Russia Energy and Industry Minister Khristenko -- are still scheduled to meet in December and will likely sign a memorandum of understanding addressing debt relief and greater economic cooperation. Kinshak informed us that a 14-person Iraqi delegation arrived in Moscow on November 14 for two days of meetings at the experts (office director) level to work out the remaining issues in preparation for the December meeting. Kinshak predicted that if the experts meetings go well, and if Zebari and the GOI accept Russia's investment and trade proposals, an MOU should be signed in December.

19. (C) When pushed, Kinshak claimed that one sticking point

for Russia is the Iraqi government's recent decision to uphold the cancellation of Lukoil's contract for development of the West Qurna oil field in southern Iraq, although he maintained that there was no connection between debt relief and pending oil contracts. (Note: Deputy Finance Minister Storchak also disavowed that there was a linkage between the Lukoil contract and debt forgiveness. He did, nevertheless, underscore the importance of the MOU as an implicit precursor to a debt deal. See reftel. End note.) Kinshak told us that the GOR and Lukoil strenuously object to the GOI decision, and Lukoil senior representatives will travel to Baghdad "in the near future" to try to work out an arrangement.

¶10. (C) Kinshak said the GOR recently convened a meeting with leading Russian companies interested in doing business in Iraq, including Lukoil, to reassure the companies that the GOR was doing its part to facilitate access to the Iraqi market, but it was up to the companies to work out specific agreements with the GOI. Kinshak was reluctant to speculate further on the details of the MOU, but he acknowledged that Russian businesses (especially Lukoil) have ratcheted up the lobbying pressure on the GOR to push for a "comprehensive and advantageous (to Russia)" MOU.

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